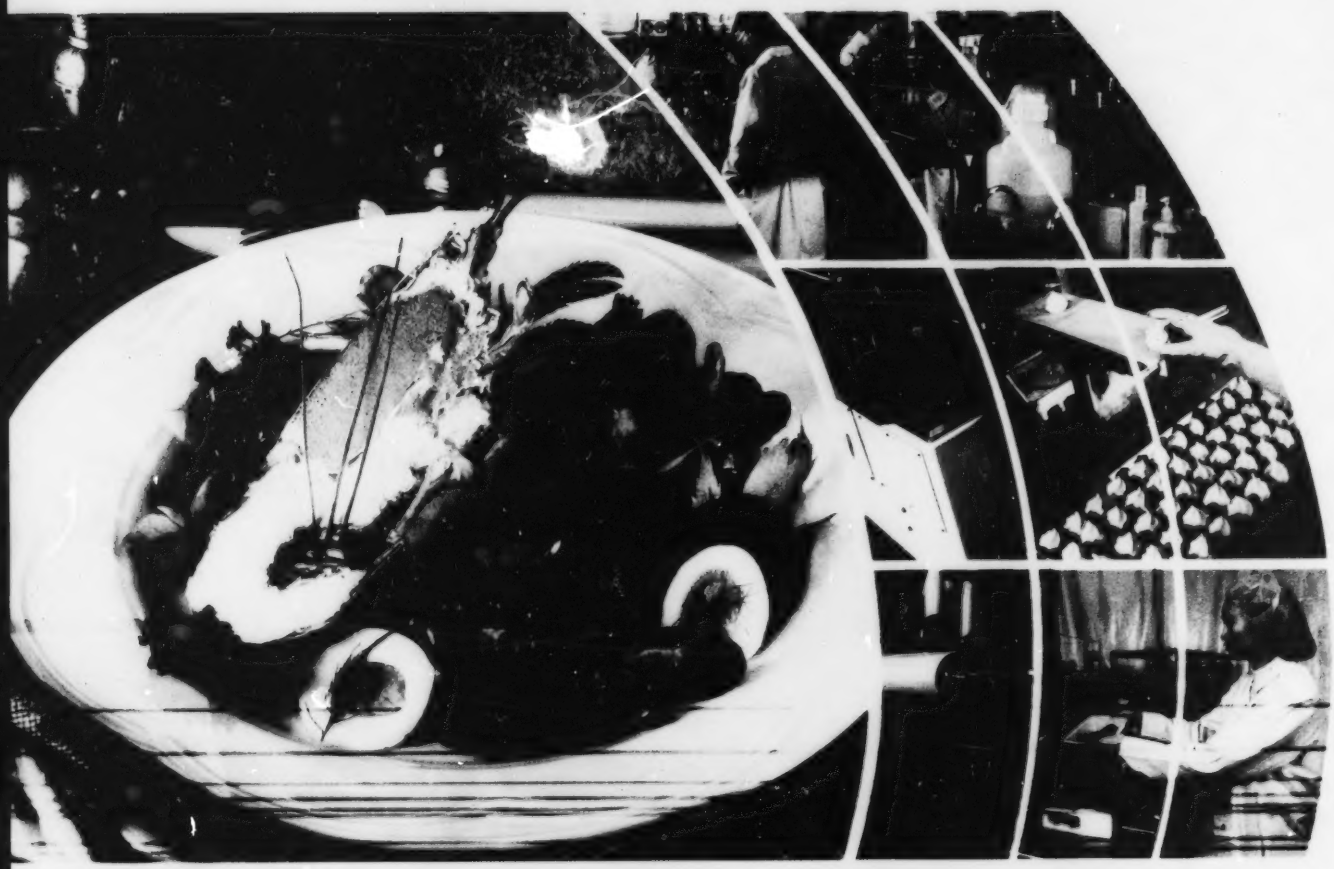
PRINCE EDWARD ISLAND **FOOD TECHNOLOGY CENTRE**



ANNUAL REPORT 2000

ISO 9001 REGISTERED KPMG

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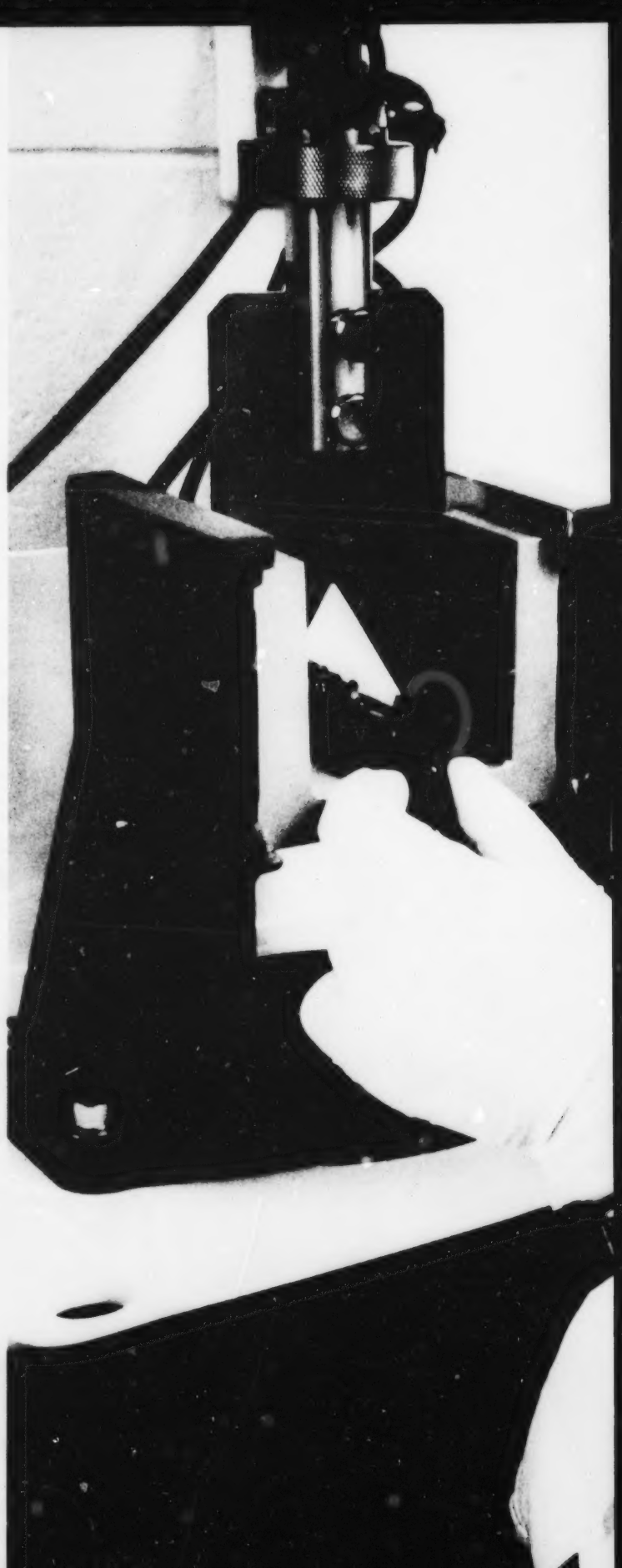

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MISSION STATEMENT

MESSAGE FROM THE CHAIRPERSON

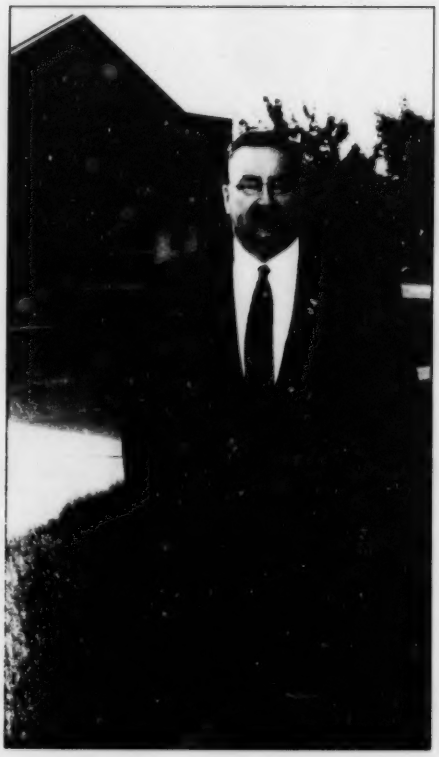
The PEI Food Technology Centre has just completed its busiest year ever. Due in part to distant contracting, revenue is at an all-time high at $1.2 million. During the year FTC has been involved in the export of "knowledge systems" from the PEI food sector. Examples include the testing of a mussel cooker system for a PEI company, transfer of crab processing technology to Ireland, training programs on HACCP/food safety for the Bahamas, transfer of shellfish processing technologies to Cuba, and development of potato conversion techniques for Northern Ireland.

In addition, the activity in laboratory services has increased by one third, having doubled in the past five years. Strategic Alliances are now showing a tangible impact on the PEI business sector and the Industry Projects Division has completed 41 projects making maximum use of the PEI Food Products Development Fund.

FTC now has international accreditation with Canadian Food Inspection Agency and Standards Council of Canada. It has an ISO 9001 quality system, and incorporates HACCP and QMP-R in its processes. This provides considerable benefit to our client base; however, it contributes significantly to operating costs as reflected in our financial statement.

Although the centre remains financially stretched, it is providing a significant contribution to the PEI economy. A strategic review of programs and services in the upcoming year will help to bring costs in line with project recovery. As well, FTC is actively moving towards a public/private operating policy in order to facilitate growth opportunities.

Alan Baker
Chairperson



MESSAGE DU PRÉSIDENT

Le Centre de technologie alimentaire (CTA) de l'Île-du-Prince-Édouard vient de terminer son année la plus occupée. En raison, en partie, de la passation de marchés avec l'étranger, les recettes ont atteint un chiffre record de 1,2 million de dollars. Durant l'année, le CTA a exporté des « systèmes de connaissances » du secteur alimentaire de l'Î.-P.-É. En voici des exemples : la mise à l'essai d'un système de cuisson des moules pour une entreprise de l'Î.-P.-É., le transfert de la technologie de transformation du crabe en Irlande, des programmes de formation sur l'ARMPC (analyse des risques et maîtrise de points critiques) et la salubrité des aliments pour les Bahamas, le transfert des technologies de transformation des mollusques et crustacés à Cuba et l'établissement de techniques de conversion de la pomme de terre pour l'Irlande du Nord.

De plus, l'activité dans les services de laboratoire a augmenté d'un tiers - et doublé depuis les cinq dernières années. La Division des alliances stratégiques a maintenant une incidence tangible sur le secteur des entreprises de l'Î.-P.-É. et la Division des projets d'industrie a mené à bien 41 projets, ce qui a permis d'utiliser au maximum le Fonds pour le développement des produits alimentaires de l'Î.-P.-É.

Le CTA a maintenant une accréditation internationale auprès de l'Agence canadienne d'inspection des aliments et du Conseil canadien des normes. Il a un système de contrôle de la qualité qui est conforme à la norme 9001 de l'ISO et il incorpore l'ARMPC et le PGQ-R dans ses procédés. Cela est très avantageux pour nos clients; cependant, cela a une importante incidence sur les coûts de fonctionnement, comme l'indique notre état financier.

Même si les ressources financières du Centre sont encore utilisées au maximum, le CTA contribue grandement à l'économie de l'Î.-P.-É. Un examen stratégique des programmes et services, qui sera entrepris au cours de l'année prochaine, aidera à établir un équilibre entre les coûts et le recouvrement. De plus, le CTA se dirige activement vers une politique d'exploitation des secteurs public et privé en vue de favoriser les occasions de croissance.

Le président,

Alan W. Baker

Alan Baker

MESSAGE FROM THE EXECUTIVE DIRECTOR

GOALS AND RESULTS ACHIEVED

GOAL

* Maintain core laboratory service outputs growing at 20% per year.
ACHIEVED

* Maintain CFIA- approved status of pilot plant, and Standards Council of Canada and federal (CFIA) approved status of the labs.
ACHIEVED

* Maintain staffing base at ~30 PY's and attain cost recovery targets in excess of $1.0 million.
ACHIEVED
$1.2 million revenue

* Integrate ISO 9001 status into operation following registration in May, 1999.
ACHIEVED

* Attain FSEP and QMP-R registration status of pilot plant by May, 2000.
ACHIEVED

* Commence movement towards additional "for growth" private sector-linked activities to shift operating base from $2m to $3-4m per year; establish 3 public-private flotation arrangements.
DEVELOPING

* Pursue more domestic and international projects to augment the local deliverables.
ACHIEVED

* Move towards commercial production activities in the pilot plant to augment cost recovery.
NOT ACHIEVED

* Move towards royalty based business income streams to augment cost recovery.
DEVELOPING

* Move towards enhancing the capacity of FTC for "innovation-based" activities to complement PEI knowledge (New Economy) needs.
DEVELOPING

* Shift Strategic Alliance Division activities to "development requiring research" paradigm to enhance PEI economic impacts.
DEVELOPING

* Consolidate a working position with the Belvedere Research Group on international projects.
NOT ACHIEVED
and shifting concept to recognize current activities as knowledge systems export.

The role and outputs of the Centre are evolving in response to a growing knowledge economy awareness and associated economic changes in Prince Edward Island. This is manifest as a shift in the direction of the Centre to seek growth beyond constraints of PEI-based cost recovery. The Centre is undergoing transition, while attempting to maintain its traditional suite of deliverables. However, the Centre has little investment capacity to attain its revised mission and is moving incrementally towards its growth goal. The strategy has been to maintain access to on-going government support while seeking to establish a series of public-private co-habitant relationships. This strategy is designed to shift the effective operating base from approximately $2 million to $3-4 million per annum. In this way, the staffing base of 30 well-trained and qualified personnel will be maintained (and possibly increase) and have opportunity for development through "forward growth". At the same time, the PEI economy and food sector will benefit from enhanced direct and indirect economic activity.

FTC is responding to growing "country-level" demand for export and installation of its food safety (HACCP) and quality control systems and protocols. International markets are also opening up for some of our partnership initiatives such as the ***Lobster 2000™*** project. Movement is underway to enhance alignment with other development groups such as Department of Agriculture, University of Prince Edward Island, PEI Business Development Inc, and Holland College. In this way, the Centre's deliverables can be incrementally developed in harmony and synergy with other PEI economic export initiatives.

In the upcoming year, FTC will continue to provide quality services to Island processors. It will seek to position itself to participate in possible federal infrastructure currently under consideration for bioresource innovations, as this initiative could facilitate FTC's knowledge economy activities. The Centre will push ahead with development of the public-private operating approach by identifying and developing linkages with private sector and public initiatives offering added-value relationships, and will continue to structure royalty flow opportunities to FTC through technology transfer arrangements.

Richard F. Ablett, Ph.D.
Executive Director

MESSAGE DU DIRECTEUR EXÉCUTIF

OBJECTIFS ET RÉSULTATS ATTEINTS

OBJECTIFS

* Maintenir un taux de croissance de 20 % par année pour les services de laboratoire de base.
ATTEINT

* Maintenir l'état d'usine pilote approuvée par l'ACIA et l'état de laboratoires approuvés par le Conseil canadien des normes et le gouvernement fédéral (ACIA).
ATTEINT

* Maintenir un effectif d'environ 30 années-personnes et atteindre des objectifs de recouvrement des coûts qui dépassent environ 1 million de dollars.
ATTEINT :
recettes de 1,2 million de dollars

* Intégrer l'état d'ISO 9001 dans les activités suivant l'inscription en mai 1999.
ATTEINT

* Inscrire l'usine pilote au Programme d'amélioration de la salubrité des aliments (PASA) et au PGQ-R d'ici mai 2000
ATTEINT

* Commencer à se diriger vers des activités « de croissance » additionnelles reliées au secteur privé pour faire passer la base d'exploitation de 2 à 3-4 millions de dollars par année; établir trois dispositions de lancement avec les secteurs public et privé.
EN COURS D'ÉLABORATION

* Entreprendre un plus grand nombre de projets nationaux et internationaux pour augmenter les services locaux
ATTEINT

* Se diriger vers des activités de production commerciale dans l'usine pilote pour augmenter le recouvrement des coûts.
PAS ATTEINT

* Se diriger vers des flux de revenu d'entreprise axés sur les redevances pour augmenter le recouvrement des coûts.
EN COURS D'ÉLABORATION

* Se diriger vers l'amélioration de la capacité du CTA d'entreprendre des activités « novatrices » qui visent à répondre aux besoins en acquisition du savoir (nouvelle économie) de l'Î.-P.-É
EN COURS D'ÉLABORATION

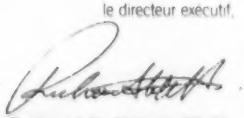
* Faire des activités de la Division des alliances stratégiques un modèle de « recherche de développement » en vue d'améliorer les retombées économiques de l'Î.-P.-É.
EN COURS D'ÉLABORATION

* Élaborer une position de travail avec le Groupe de recherche Belvedere pour les projets internationaux.
PAS ATTEINT et concept modifié pour reconnaître les activités actuelles, comme l'exportation des systèmes de connaissances.

Le rôle et les réalisations du Centre évoluent en raison de l'économie du savoir, qui est en plein essor, et des changements économiques correspondants qui surviennent à l'Île-du-Prince-Édouard. Cela est évident tout comme le changement d'orientation du Centre qui vise à obtenir une croissance au-delà des contraintes du recouvrement des coûts à l'Î.-P.-É. Le Centre effectue une transition tout en essayant de maintenir son ensemble traditionnel de services. Cependant, le Centre a une capacité d'investissement limitée pour réaliser sa mission remaniée, et il se dirige progressivement vers son objectif de croissance. La stratégie a été de maintenir l'accès à l'aide gouvernementale régulière tout en cherchant à établir une série de relations avec les secteurs public et privé. Cette stratégie vise à faire passer la base d'exploitation efficace d'environ 2 millions de dollars à 3-4 millions de dollars par année. De cette façon, l'effectif de 30 employés qualifiés ayant reçu une formation solide sera maintenu (et peut-être augmenté) et pourra se développer au moyen d'une « croissance à terme ». En même temps, l'économie et le secteur alimentaire de l'Î.-P.-É. profiteront de l'activité économique directe et indirecte améliorée.

Le CTA répond à la demande nationale de plus en plus grande d'exportation et d'installation de ses protocoles et systèmes d'assurance de la salubrité des aliments (ARMPC) et de contrôle de la qualité. Les marchés internationaux s'ouvrent également pour certaines de nos initiatives de partenariat, comme le projet ***Lobster 2000***. Nous sommes en train d'améliorer les rapports avec d'autres groupes de développement, comme le ministère de l'Agriculture, l'Université de l'Île-du-Prince-Édouard, PEI Business Development Inc. et le collège Holland. De cette façon, les services du Centre peuvent être élaborés progressivement en harmonie et en synergie avec d'autres initiatives d'exportation de l'Î.-P.-É.

le directeur exécutif,



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le directeur exécutif

Richard F. Ablett, Ph.D.

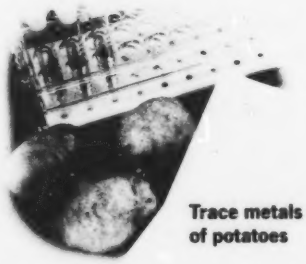
INDUSTRIAL INVOLVEMENT

Food Safety Work in PEI Plants

Verifying food safety procedures

Food safety is becoming a public obsession forcing food processors and governments to be increasingly vigilant with their quality and safety management systems. FTC has been working with PEI food processors to help them develop and implement quality and safety systems (QMP-R and FSEP) as well as product-specific HACCP plans. FTC specialists use a very hands-on approach, by working closely and in detail with the plants to ensure the systems become integrated into the operations of our client companies. (QMP = Quality Management Program; FSEP = Food Safety Enhancement Program; HACCP = Hazard Analysis Critical Control Points)

Assisted by PEI Business Development Inc. and PEI Food Technology Centre



Trace metals analysis of potatoes

Geographic Origin of Potatoes

A preliminary project was undertaken by FTC to develop a method for sample preparation and data analysis to study the possibility of identifying the geographic origin of PEI potatoes. PEI potatoes from the three counties were analysed and it was found possible to differentiate between potatoes grown in Prince, Queens, and Kings counties on the basis of their trace metals profile. Using samples of PEI and non-PEI potatoes in sufficient numbers to produce valid data, FTC will conduct a second phase of this project for the PEI Potato Board to detect fraudulent labelling of non-PEI potatoes in PEI bags.

Assisted by PEI Business Development Inc. and PEI Food Technology Centre

Modified Atmosphere Packaging of Cooked Lobster Meat

Royal Star Foods Ltd. is interested in offering its retail customers refrigerated cooked lobster meat as an alternative to the frozen cold-pack format. To achieve the shelf life necessary for distribution and sales, modified atmosphere packaging (MAP) was considered the most likely option for extended storage at chilled temperatures. MAP involves the removal of ambient air from a package and replacing it with a specific mixture of food-grade gases. In turn, this extends the shelf life of a product by reducing microbial growth and by slowing biochemical degradation.

A series of studies was conducted over an 18-month period to determine the refrigerated shelf life of cooked lobster meat and to assess its microbial safety. As a result of these studies, Royal Star Foods Ltd. has the technology and the documentation to proceed with pre-commercialization trials.

Assisted by the National Research Council of Canada , PEI Department of Fisheries & Tourism, and PEI Food Technology Centre

An alternative to frozen cold-pack

INDUSTRIAL INVOLVEMENT

Major European Airline Serving Lobster 2000™

First Class air passengers travelling in Europe can now enjoy a unique new PEI lobster product as part of their in-flight services. ***Lobster 2000™***, which has been produced through a strategic alliance between FTC and Busch Vacuum Technics Inc., is now patented Worldwide. This project has progressed from the experimental stage to the commercialization stage over a five year period. This past spring, the ***Lobster 2000™*** production line was installed in a local lobster processing plant. Production of ***Lobster 2000™*** took place in early summer and the plant has successfully sent off their first shipment of ***Lobster 2000™*** to their clientele in Europe.

Assisted by PEI Department of Fisheries and Tourism, the National Research Council of Canada, Atlantic Canada Opportunities Agency, PEI Business Development Inc., and PEI Food Technology Centre.

Export of "Knowledge Systems" from PEI Food Sector

The road to wealth creation on PEI is through education, research, technology transfer, and commerce. During the year, FTC contributed to the PEI economy through export of "knowledge systems" from the PEI food sector. Examples of FTC's technology transfer activities include the testing of a mussel cooker system for a PEI company, transfer of crab processing technology to Ireland, training programs on HACCP/food safety for the Bahamas, transfer of shellfish processing technologies to Cuba, and development of potato conversion techniques for Northern Ireland.

Technology Transfer Activities

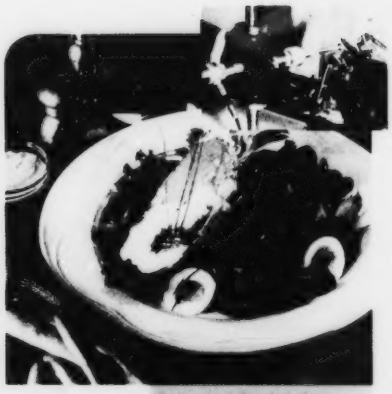
Improved Popcorn Packaging Leads to New Production Facilities

In an attempt to lengthen the shelf life of its **Tender Loving Corn®** (TLC) gourmet flavoured popcorn for the wholesale market, PACU Inc. approached FTC's team of food scientists for technical assistance. By implementing some new procedures i.e. gas flushing, selecting new packaging film and improved sealing methods, the company was able to extend the shelf life of its product. With the ability to achieve the extended shelf life, TLC Inc. has expanded its wholesale operation to supply product throughout the Maritimes and beyond. This has included the construction of a new production facility located in Charlottetown, PE which employs five full-time personnel. The company is projecting that this will increase to 24 hour a day production, seven days a week.

Assisted by the PEI Food Technology Centre.

New jobs created

INDUSTRIAL INVOLVEMENT



Patented Technology

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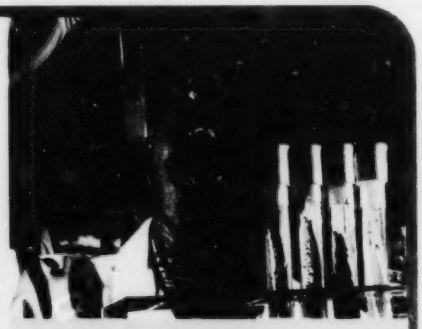

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New jobs created

INDUSTRIAL INVOLVEMENT

Quality Assurance for Sobeys Suppliers

The PEI Food Technology Centre was involved in undertaking audits at several Sobeys Retail Brands' Atlantic vendors. These audits investigated all aspects of their facilities, processing methods, quality and food safety systems.

From our clients...

"When Charlottetown Metal Products (CMP) designed and built a continuous flow, atmospheric pressure steam cooker, we wanted a system that could be marketed at an international level.

A production model was delivered to the PEI Food Technology Centre Pilot Plant for testing under actual process trials.

The resulting technical data gave this unit professional credibility with the most discriminate of buyers. To date, three units have been sold to the food processing industry in Europe".

Wendell MacDonald
Charlottetown Metal Products

"The Canadian General Standards Board was impressed that Rossignol Wines was using an ISO 9001 accredited lab for its wine analysis as they had previously believed there was no ISO-registered lab in Canada for wine analysis. With this accreditation, FTC's results are accepted world wide".

John Rossignol
President, Rossignol Estate Winery

"As a result of projects carried out by FTC on behalf of the Seafood Processors Association on "Microbial Analysis of Seafood Processing Environments" and "Validation of HACCP Controls through Product Testing", the seven processing plants of Polar Foods International Inc. were provided excellent information to improve our activities.

From this information, we were able to evaluate the effects of processing operations on the microbial quality of products. These results are being used to modify processes to ensure our final products meet microbial standards of CFIA and importing countries".

Colleen Walton
Technical Services Manager
Polar Foods International Inc.

Market Testing of Gourmet Meat and Potato Wraps

FTC has developed a gourmet meat and potato wrap and has been conducting market tests in the restaurant and institution sector of PEI with tremendous success. In partnership with the PEI Hog Commodity Marketing Board, market validation testing will be expanded into Atlantic Canada and the New England States. To assist with market testing, FTC is "gearing up" to conduct a 10 ton production run in FTC's federally inspected processing facility, to supply the PEI Hog Commodity Marketing Board with sufficient product to conduct the market study. FTC also assisted in the preparation of the required regulatory documentation (FSEP and HACCP), product labelling, nutrition labelling, and ingredient declaration.

Assisted by the Atlantic Canada Opportunities Agency - PEI Business Development Inc. and PEI Food Technology Centre

Co-form technology

Value-added Product for the UK Food Service Market

In 1998, Paramount 21 (Canada) Ltd. established a joint venture with a PEI company, Beach Point Specialty Foods Ltd., for secondary seafood processing. During the course of this joint business venture, the principals of the PEI Food Technology Centre, together with the joint venture group, identified an opportunity to transform silversides, an underutilized PEI fish species traditionally used as "zoo food", into a value-added product.

In order to establish a commercial supply line of silversides, a grading/sorting machine was sourced that had the potential to be used for silversides. A grader from an Atlantic Canada company was available and was retrofitted for this species. Collectively, the work evaluated the rigor resolution time for chilled silversides, the quality of the fish from pre to post-rigor, the size distribution of the silversides, and the assessment of the efficiency of the grader. The grader selected was not able to separate the unwanted pinfish so other grading machines or visual detection systems will now be evaluated.

Assisted by PEI Department of Fisheries & Tourism and PEI Food Technology Centre.

Underutilized fish species

INDUSTRIAL INVOLVEMENT

Quality Assurance for Sobeys Suppliers

The PEI Food Technology Centre was involved in undertaking audits at several Sobeys Retail Brands' Atlantic vendors. These audits investigated all aspects of their facilities, processing methods, quality and food safety systems.

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Co-form technology

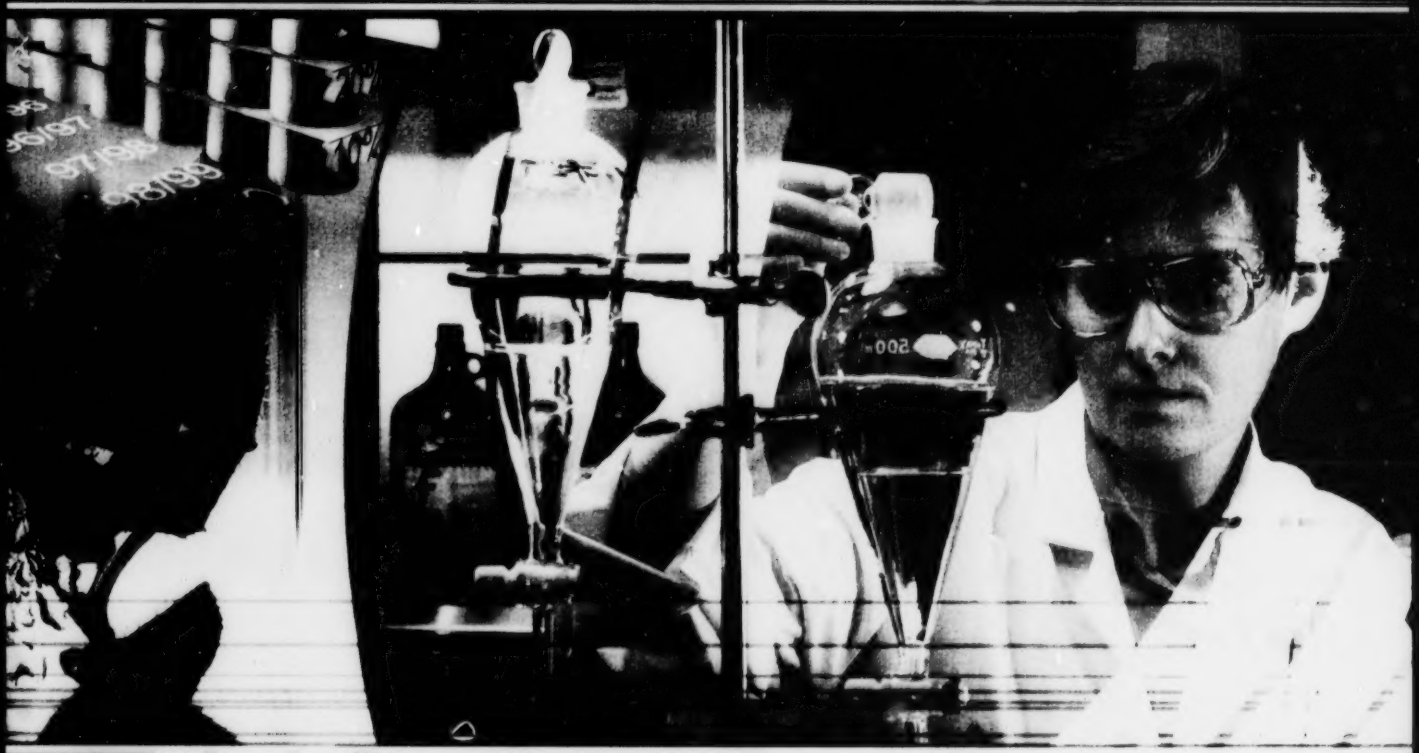
Value-added Product for the UK Food Service Market

In 1998, Paramount 21 (Canada) Ltd. established a joint venture with a PEI company, Beach Point Specialty Foods Ltd., for secondary seafood processing. During the course of this joint business venture, the principals of the PEI Food Technology Centre, together with the joint venture group, identified an opportunity to transform alternative, an underutilized PEI fish species traditionally used as "pet food", into a value-added product.

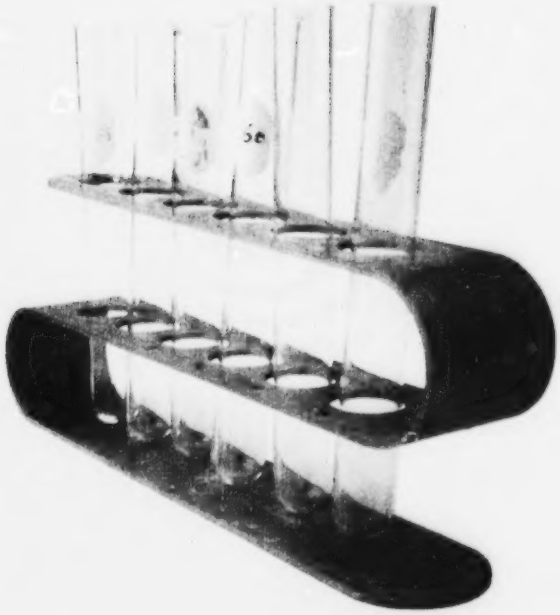
In order to establish a commercial supply line of alternative, a grading/sorting machine was sourced that had the potential to be used for alternative. A grader from an Atlantic Canada company was available and was evaluated for this species. Collectively, the craft evaluated the size resolution limit for optimal alternative, the quality of the fish from pre to post-rigor, the size distribution of the alternative, and the assessment of the efficiency of the grader. The grader selected was not able to separate the undersized fish, as other grading machines or visual detection systems will have to be evaluated.

Assisted by PEI Department of Fisheries & Aquaculture and PEI Food Technology Centre.

FTC FINANCIALS 2000



FTC ENTERPRISES LIMITED



FINANCIAL STATEMENTS
For the year ended March 31, 2000

AUDITORS' REPORT

TO THE SHAREHOLDER OF
F.T.C. ENTERPRISES LIMITED

We have audited the balance sheet of **F.T.C. Enterprises Limited** as at March 31, 2000 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Pricewaterhousecoopers LLP

Chartered Accountants
May 26, 2000

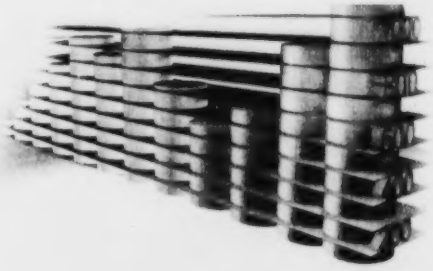
BALANCE SHEET

	2000 $	1999 $
ASSETS		
CURRENT ASSETS		
Cash	-	79,270
Accounts receivable	436,742	627,647
Work in progress in excess of progress billings of $44,996	13,540	-
Due from parent company	-	27,700
Prepaid expense	1,958	2,104
	452,240	736,721
Investments	1	1
Deferred development costs (note 3)	206,945	-
Capital assets (note 4)	1,365,426	1,459,427
	2,024,612	2,196,149
LIABILITIES		
CURRENT LIABILITIES		
Bank advances	102,359	-
Accounts payable and accrued liabilities	272,233	305,556
Progress billings in excess of work in progress (1999 – $73,431)	-	106,423
Advances from parent company	165,000	40,000
	539,592	451,979
Deferred credits (note 5)	1,100,473	1,217,939
	1,640,065	1,669,918
Contingent liability (note 7)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized and issued		
100 common shares of the par value of $1 each	100	100
Contributed surplus	366,040	366,040
Retained earnings	18,407	160,091
	384,547	526,231
	2,024,612	2,196,149

SIGNED ON BEHALF OF THE BOARD

DIRECTOR

DIRECTOR



STATEMENT OF RETAINED EARNINGS

	2000 $	1999 $
BALANCE - BEGINNING OF YEAR	160,091	145,331
Net earnings (loss) for the year	(141,684)	14,760
BALANCE - END OF YEAR	18,407	160,091

STATEMENT OF EARNINGS

	Budget (Unaudited) 2000 $	2000 $	1999 $
REVENUE			
Grants – Province of Prince Edward Island (note 8)	1,423,000	1,423,000	1,414,500
Project recoveries (note 9)	1,035,000	1,202,460	859,929
Interest	15,000	10,047	22,682
	2,473,000	2,635,507	2,297,111
EXPENSES			
Salaries and benefits (note 8)	1,444,160	1,347,589	1,318,805
Project costs	319,391	582,003	228,526
PEI Food Products Development Fund (note 8)	200,000	250,000	250,000
Office	19,600	25,646	18,038
Lab and field supplies	81,000	104,977	83,339
Telecommunications	34,000	35,216	34,468
Occupancy costs	95,500	109,332	90,689
Repairs/general administration	50,000	53,435	47,522
Printing	4,000	5,212	4,103
Advertising and promotion	17,500	18,943	15,298
Information services	30,300	25,514	26,905
Professional fees	28,000	45,318	23,044
Travel and training	66,200	64,335	59,842
Doubtful accounts	10,000	3,918	3,125
Recruitment	-	4,901	20,932
Amortization of deferred credits	(117,466)	(117,466)	(201,194)
Amortization	190,815	218,318	258,909
	2,473,000	2,777,191	2,282,351
Net earnings (loss) for the year	-	(141,684)	14,760

STATEMENT OF CASH FLOWS

	2000 $	1999 $
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	(141,684)	14,760
Items not affecting cash		
• Amortization	218,318	258,909
• Amortization of deferred credits	(117,466)	(201,194)
	(40,832)	72,475
NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS		
• decrease (increase) in amount due from parent	27,700	(27,700)
• decrease (increase) in accounts receivable – trade	190,905	(253,199)
• decrease (increase) in prepaid expense	146	(498)
• increase in work in progress in excess of progress billings	(13,540)	-
• increase (decrease) in accounts payable and accrued liabilities	(33,323)	174,696
• decrease in progress billings in excess of work in progress	(106,423)	(13,786)
• increase in development costs	(206,945)	-
	(182,312)	(48,012)
FINANCING ACTIVITY		
Increase in advances from parent company	125,000	20,000
INVESTING ACTIVITY		
Purchase of capital assets	(124,317)	(69,656)
DECREASE IN CASH	(181,629)	(97,668)
CASH – BEGINNING OF YEAR	79,270	176,938
CASH (BANK ADVANCES) – END OF YEAR	(102,359)	79,270

FTC recovered $1,212,507 on total costs of $2,777,190 representing cost recovery of 44%. This compares to 38% in 1999 and 31% in 1998.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the company have been prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

Investments

The company has a 25% interest in two private corporations and a 50% interest in a third private corporation which are being carried at a nominal value of $1. These corporations are winding up operations and have no residual value.

Amortization

Amortization of capital assets is calculated using the straight-line method at the annual rates as disclosed in note 3.

A full year's amortization is recorded in the year of acquisition.

Program assistance

The PEI Food Products Development Fund is a provincially-funded research assistance program administered by the company. Grants under the program are included in income and the assistance is expensed and included in accrued liabilities when the grant is received. The accrued liability is reduced when contributions are made to projects. There is $59,245 (1999 - $123,496) in unexpended assistance included in accrued liabilities at year end.

Deferred credits

The company has adopted the policy that contributions the company receives towards the acquisition of capital assets will be recorded as deferred credits and amortized to earnings on the same basis as the related capital assets are amortized.

Revenue recognition

The company follows the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the company's revenue based on the expenditures incurred and work completed on each contract in progress as at the balance sheet date.

Work in progress in excess of progress billings is recorded at year end to appropriately recognize revenue under the percentage-of-completion basis of accounting when work in progress is in excess of actual billings generated. Billings generated in excess of the related work in progress at year end are recorded as progress billings in excess of work in progress.

Management estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Fair value of financial instruments

The company has evaluated the fair value of its financial instruments based on the current interest rate environment, market values and the actual prices of financial instruments with similar terms. The carrying value of financial instruments is considered to approximate fair value.

2. CORPORATE STATUS

The company is a wholly-owned subsidiary of a Crown corporation, Prince Edward Island Business Development Inc., and is therefore a non-taxable entity.

The company operates under the name of the Prince Edward Island Food Technology Centre.

3. DEFERRED DEVELOPMENT COSTS

Net deferred development costs were accumulated from several projects associated with the ***Lobster 2000™*** development work. The costs consist of two patent applications co-registered in the United States, Canada and Cuba, prototype production tests for the extraction of both Canadian and Spiny lobster meat, and various other costs. Management has entered into negotiations with third parties for the sale of the intellectual property rights associated with these projects and consider the potential recovery sufficient to fully recover costs incurred.

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

	Amortization rate	2000 Cost	2000 Accumulated amortization	2000 Net	1999 Net
	%	$	$	$	$
Building	5	2,524,959	1,315,263	1,209,696	1,335,242
Pilot plant and laboratory equipment	5 - 10	1,406,414	1,322,482	83,932	84,930
Laboratory supplies	50	120,525	120,525	-	
Computer and audio visual equipment	33.33	420,650	366,238	54,412	24,008
Office furniture and equipment	20	157,458	140,072	17,386	15,247
		4,630,006	3,264,580	1,365,426	1,459,427

5. DEFERRED CREDITS

	Amortization rate	2000 Cost	2000 Accumulated amortization	2000 Net	1999 Net
	%	$	$	$	$
Building	5	2,349,320	1,248,847	1,100,473	1,217,939
Pilot plant and laboratory equipment	5 - 10	998,071	998,071		
Computer and audio visual equipment	33.33	25,169	25,169		
Office furniture and equipment	20	53,063	53,063		
		3,425,623	2,325,150	1,100,473	1,217,939

6. LEASE COMMITMENT

The company has entered into a twenty-five year lease expiring November 2013 with the University of Prince Edward Island for the land upon which the corporation constructed its facilities. The lease cost is $1 per year and is renewable for a further term of twenty-five years for the same annual consideration.

7. CONTINGENT LIABILITY

The company has guaranteed loans totalling $25,000 of one of the private corporations in which it has invested.

8. GRANTS

During the year, the company received operating grants totalling $1,173,000 (1999 - $1,164,500) and $250,000 in PEI Food Products Development Fund grants (1999 - $250,000) from its parent company.

The provisions of the PEI Food Products Development Fund make $50,000 (1999 - $50,000) available to FTC Enterprises Limited to offset salary costs for a portion of two staff positions. The $50,000 contribution from the PEI Food Products Development Fund is recorded as a reduction in salary costs.

9. PROJECT RECOVERIES

Included in project recoveries is $87,236 (1999 - $90,337) in grants received from the National Research Council.

10. PEI FOOD PRODUCTS DEVELOPMENT FUND

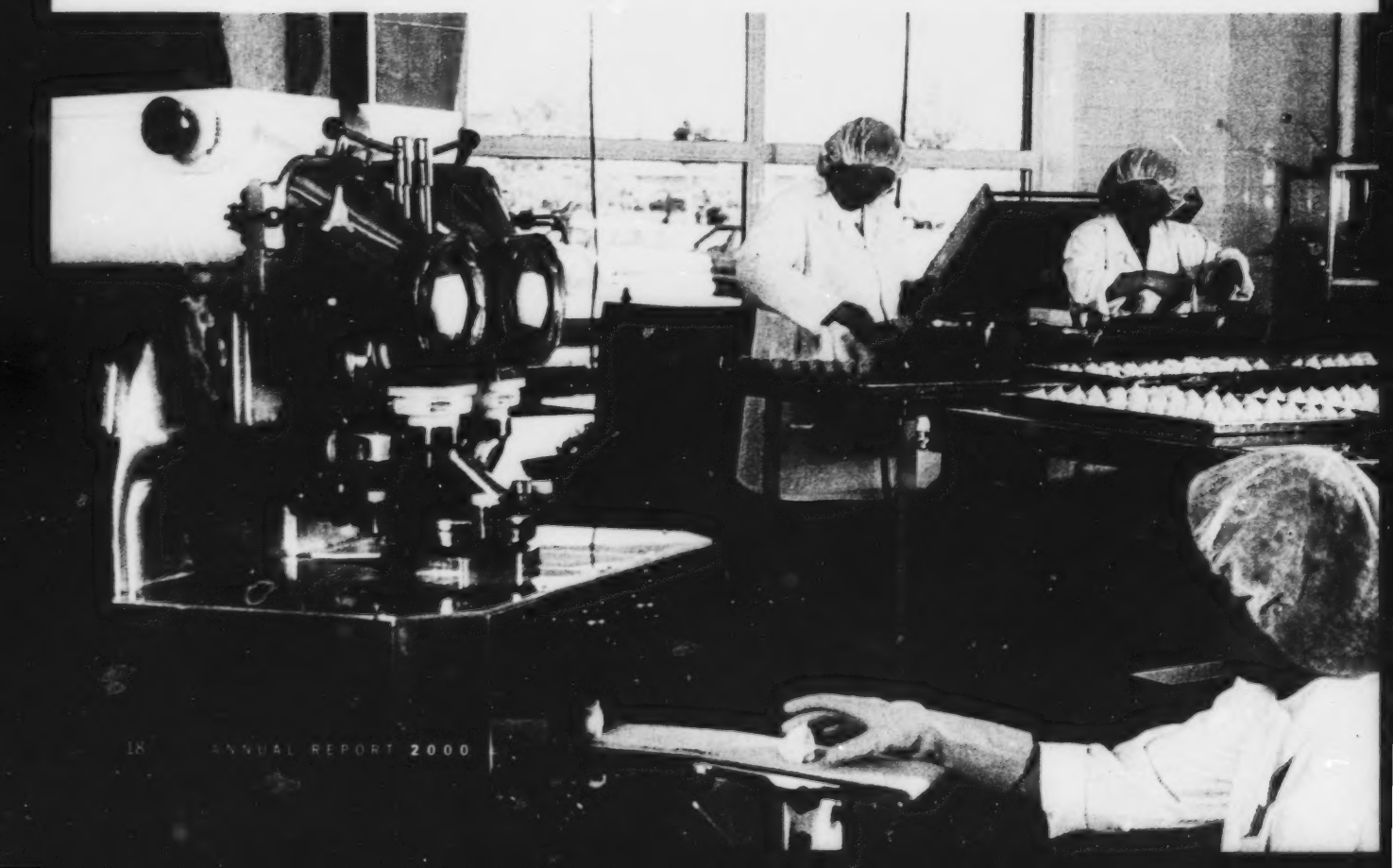
The PEI Food Products Development Fund was established to assist small and medium-sized Island businesses access the services of the FTC Enterprises Limited, to generate new products, new marketing opportunities and add value to existing products. FTC Enterprises Limited will act as the fund manager, responsible for establishing criteria, managing and administering the Fund.

The Fund is intended as conditionally repayable support on approved projects. The repayable portion of the Fund will be structured as a percentage of future sales on successful projects, excluding projects with funding support of $2,000 or less, high risk projects, and projects that do not have product development as an outcome. Repayable support will be recognized as revenue when received by the company.

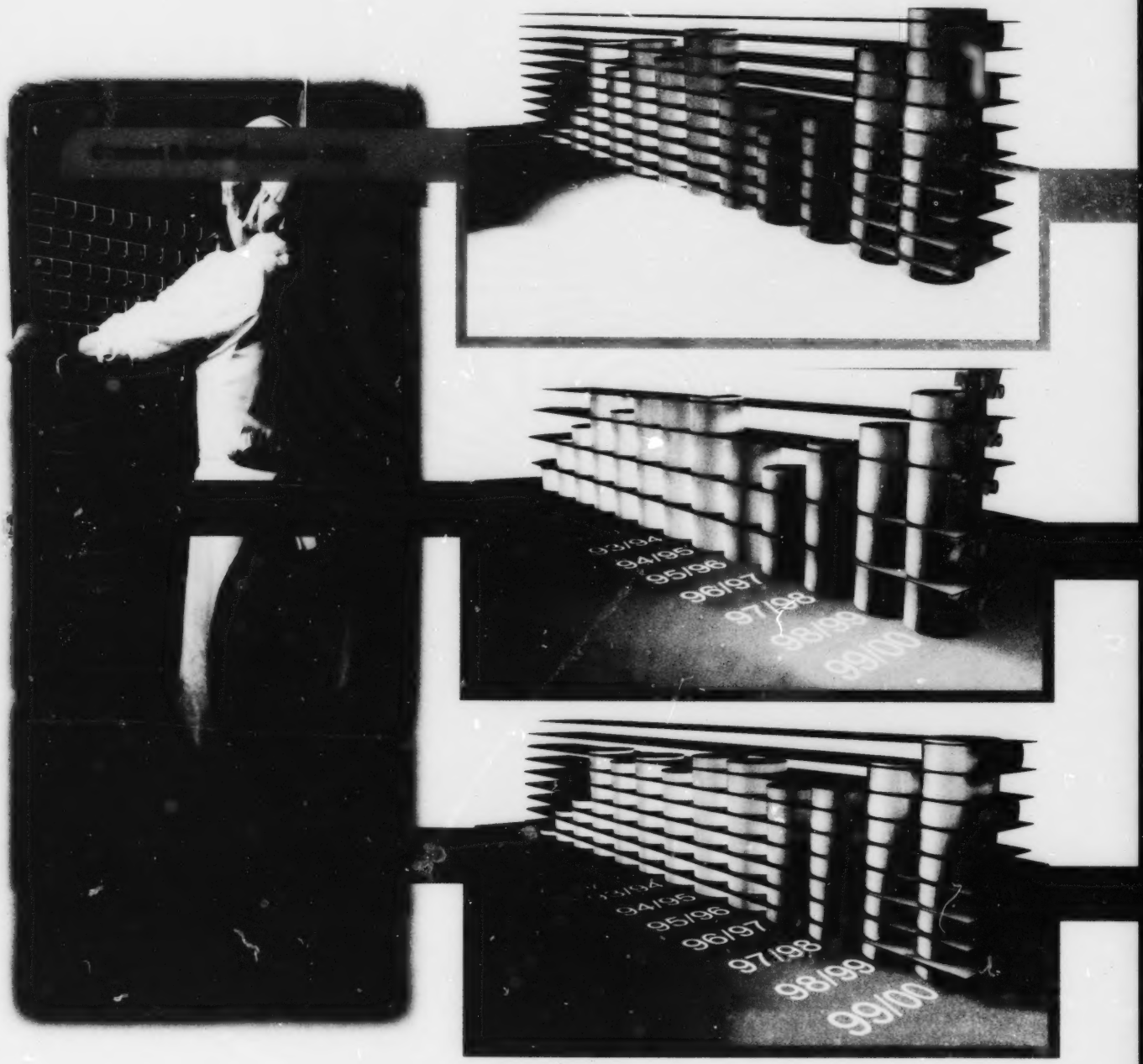
CLIENTS ASSISTED

APRIL 1, 1999 - MARCH 31, 2000

Abegweit Seafoods Incorporated
Acadian Fisherman's Co-op Association
AgraWest Foods Ltd.
Amalgamated Dairies Limited
Antigonish Abattoir Ltd.
Aqua Health Ltd.
Atlantic Aqua Farms Inc.
Atlantic Canada Opportunities Agency
Atlantic Fish Specialties Ltd.
Atlantic Shellfish Inc.
Atlantic Veterinary College - UPEI
Atlantic Waffles Inc.
Beach Point Fisherman's Co-op Ltd.
Belle River Enterprises Ltd.
Bellerslé Foods Ltd.
Benthic Fish Processors Ltd.
Burleigh Bros. Seafood
Burlington Fishermen's Co-operative Society Ltd.
Busch Vacuum Technics Inc.
Canadian Cold Water
Canadian Smoked Fish (1994) Inc.
Carr's Lobster Pound Ltd.
Cavendish Farms
Chocolate River Candy Co. Inc.
Clearwater Fine Foods Inc.
Embers Products Ltd.
Fine Food Investments Ltd.
Gail's Country Pantry
Garden Province Meats, Inc.
Government of Bahamas
Heather's Old Fashion Fudge
Heritage Traditions
Homestead Cheese Sales Inc.
Howard's Cove Seafoods Limited
Hub Meat Packers Ltd.
HydroQual Laboratories Ltd.
Island Meat Packers (1996) Ltd.
Island Quality Vegetables Inc.
J. Willy Krauch & Son Ltd.
Jacques Whitford
Jasper Wyman & Sons Co.
Joanne Cathcart Enterprises Ltd.
Johnston's Home Style Products Ltd.
Jost Vineyards Ltd.
Keeping & MacKay Ltd.
Kettle Kitchen
Kitikmeot Foods Ltd.
L&C Fisheries
LeBlanc Food Resources
Leslie Hardy & Sons Ltd.
M.F. Schurman Company, Limited
Marine Products Research & Development Centre
Mariner Seafoods Inc.
McCain Foods Limited
Mia's Pizza
Montague Dairy Ltd.
Nappan Research Station
Naturally Nova Scotia Health Products
Nisbit Oyster Co.
North Lake Fisheries Cooperative
Nova Chemicals Corporation
Nova Scotia Agricultural College
Oceanis Seafood Ltd.
O'Leary Produce Co. Ltd.
Options Inc.
PACU Inc.
Palmer Seafoods
Paramount 21 Ltd.
PEI Department of Fisheries and Tourism
PEI Food & Beverage Processors Association
PEI Hog Commodity Marketing Board
PEI Liquor Control Commission
PEI Mussel King Inc.
PEI Potato Board
PEI Preserve Co.
PEI Seafood Processors Association
Phil's Organic Garlic Farm
Philip Analytical Services Corp.
Polar Fisheries International Ltd.
Prince County Fly Fishermen
Prince Edward Aqua Farms Inc.
Rossignol Estate Winery Ltd.
Royal Star Foods Ltd.
Ryan's Farm
Scotsburn Dairy Group
Seafood 2000 Ltd.
Seaman's Beverages Limited
Sobeys Canada Inc.
St. Anthony's Seafood Ltd.
St. Mary's River Smokehouse
Stanchem Inc.
Summerside Seafood Supreme Inc.
Super Shellfish
Tender Loving Corn Inc.
True North Salmon Co. Ltd.
University of Alberta
Valley Grove Farms
Waddell's Poultry & Cannery
Wendall Graham (1981) Ltd.
Wiltshire Dairying Co. Ltd.



GRAPHICAL REPRESENTATION OF FTC'S PROGRESS



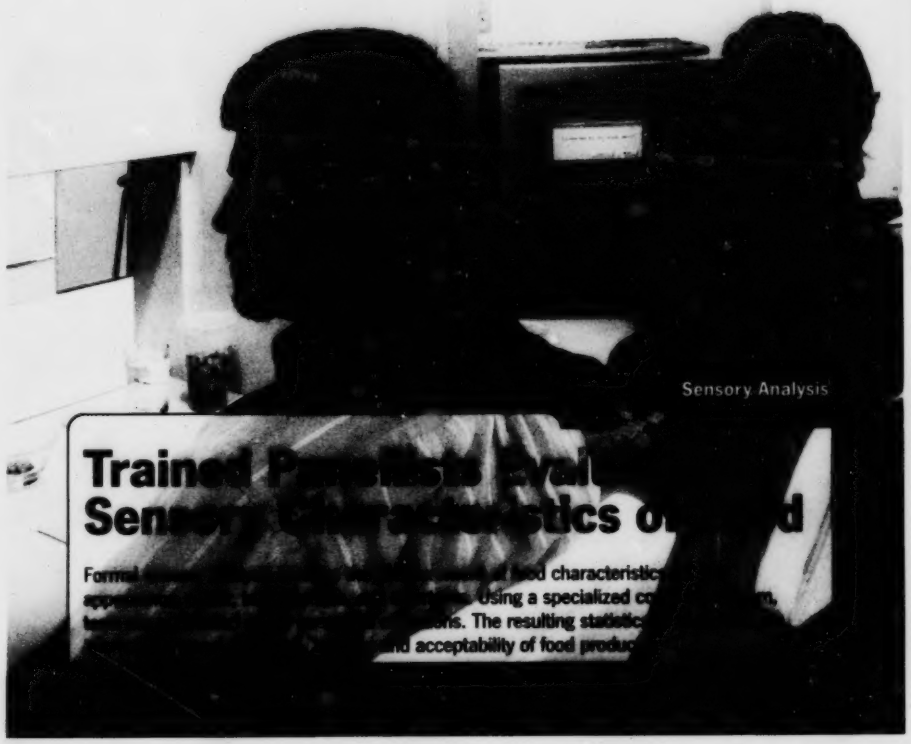
FTC's total expenses for 1999-00 amounted to $2,777,190. The Province of Prince Edward Island contributed a grant of $1,423,000. To cover the remaining 44% of total expenses, FTC recovered $1,202,460 through fee-for-service contracts with the private sector and agencies of government. This has resulted in a net loss for the year of $141,684.

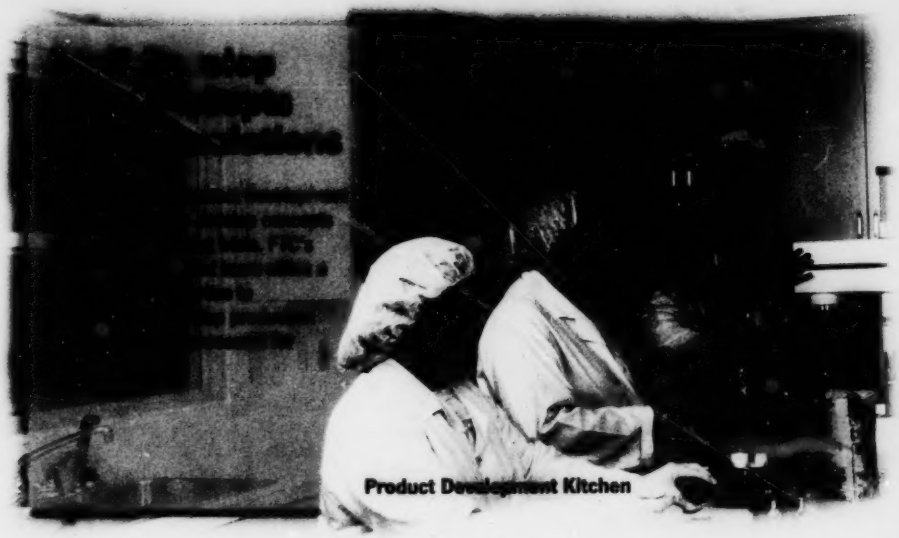
The Centre's commitment to cost recovery allowed for continued scientific and technical support to the local food industry. FTC food scientists worked with industry, primarily in the areas of product and process development, food safety, nutrition labelling, and technology transfers. The microbiology and chemistry laboratories supported troubleshooting services and in-house research, as well as product development and sensory analysis services. FTC is also actively involved in Quality Control and HACCP programs, both in setting up systems and training industry staff.

FTC INFRASTRUCTURE

FTC has achieved ISO 9001 (International Organisation for Standardisation) Quality System registration for all of its services. Registration ensures that services such as product development, food analysis, sensory evaluation, quality control, and technical information, are provided to clients with consistent standards of quality. ISO is recognized internationally and establishes immediate credibility for the Centre worldwide.

With its excellent facilities, its highly-qualified staff, and its close association with the food industry, the FTC is in an excellent position to assist with any aspect of food processing, including feasibility studies, product and process development, production management, food safety, HACCP training, nutrition labelling, troubleshooting, sensory analysis, analytical services, and research and development.





FTC INFRASTRUCTURE

FTC Offers Comprehensive Literature Searching Capabilities

FTC provides comprehensive literature searching capabilities to the food industry. Information professionals conduct technical searches using most major electronic databases. Research material on almost any topic can be supplied in the form of articles, reports, patents, and conference papers.

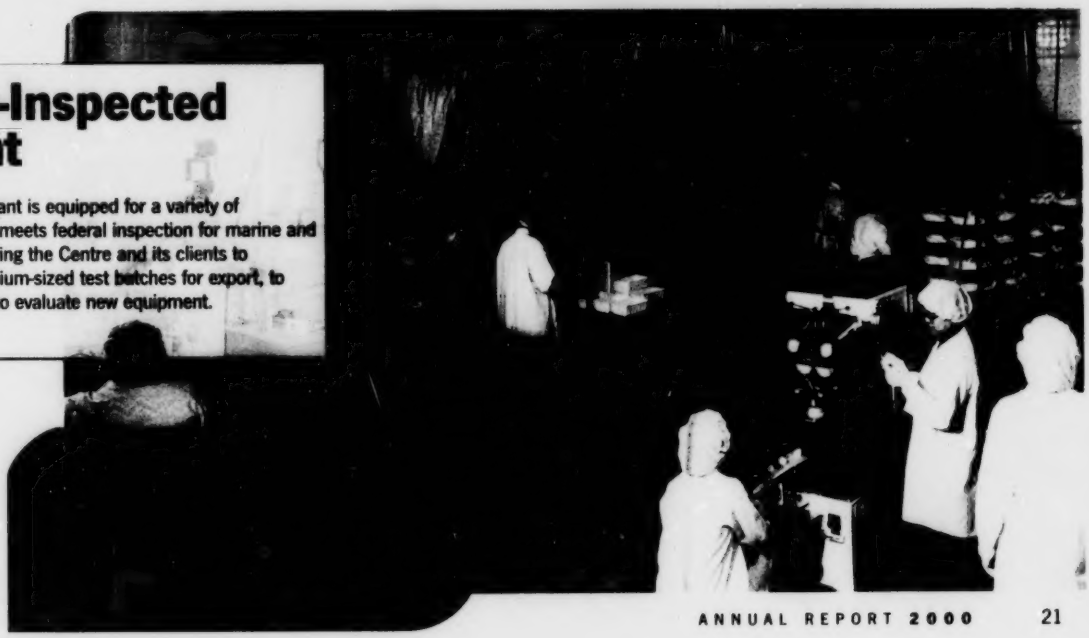
Comprehensive [illegible] of Analytical [illegible]

FTC laboratories provide trouble-shooting support directly to industry and support in-house activities, such as product development, food safety, nutrition labelling, and sensory analysis. The food chemistry laboratory analyses food products, provides nutrition labelling services, and performs tests to identify toxic substances in foods.

Microbiology staff are involved in food safety, quality control, and research. They assist companies in developing appropriate Risk Management Systems (HACCP) and Quality Control systems. They also present seminars to managers and line employees on sanitation and conduct microbiological analysis, thermal processing audits, and retort verification.

Federally-Inspected Pilot Plant

FTC's 1,800 sq. ft. pilot plant is equipped for a variety of processes. The pilot plant meets federal inspection for marine and agri-food processing, allowing the Centre and its clients to manufacture small to medium-sized test batches for export, to fine-tune processing, and to evaluate new equipment.



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Sensory Analysis

Trained Panellists Evaluate Sensory Characteristics of Food

Formal sensory analysis involves the measurement of food characteristics such as appearance, odour, taste, texture, and aftertaste. Using a specialized computer system, tests are conducted under controlled conditions. The resulting statistics provide valuable information about the characteristics and acceptability of food products.

Staff Develop New Concepts and Formulations

A [illegible] Product Development [illegible] is used to develop concepts and perform product trials. FTC's [illegible] team offers a [illegible] of expertise to [illegible] develop production [illegible] processes for [illegible]

Product Development Kitchen

FTC INFRASTRUCTURE

Information Services

FTC Offers Comprehensive Literature Searching Capabilities

FTC provides comprehensive literature searching capabilities to the food industry. Information professionals conduct technical searches using most major electronic databases. Research material on almost any topic can be supplied in the form of articles, reports, patents, and conference papers.

An Extensive Range of Analytical Capability

FTC laboratories provide trouble-shooting support directly to industry and support in-house activities, such as product development, food safety, nutrition labelling, and sensory analysis. The food chemistry laboratory analyses food products, provides nutrition labelling services, and performs tests to identify toxic substances in foods.

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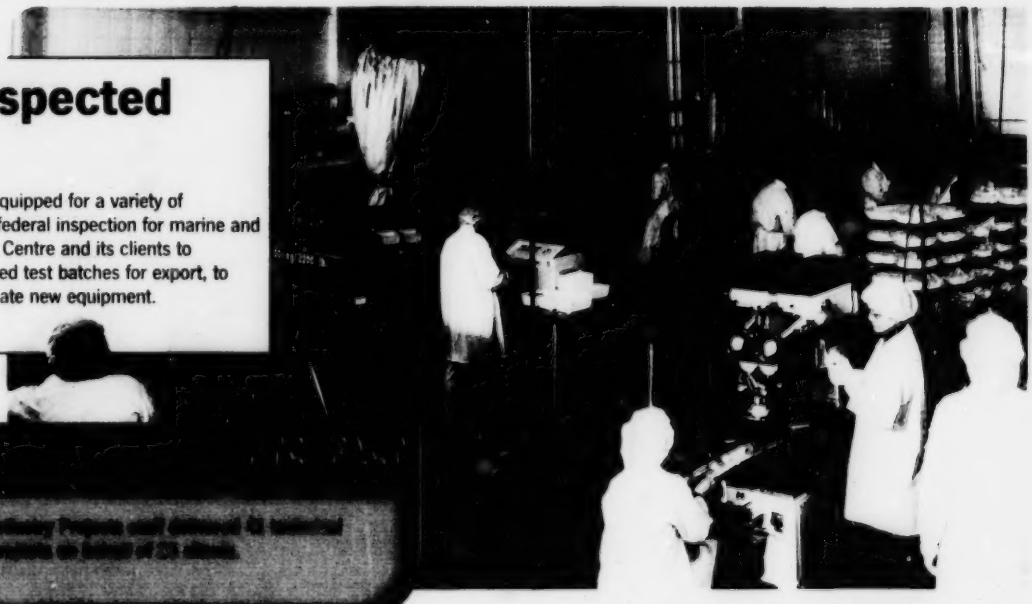
[redacted]

Federally-Inspected Pilot Plant

FTC's 1,800 sq. ft. pilot plant is equipped for a variety of processes. The pilot plant meets federal inspection for marine and agri-food processing, allowing the Centre and its clients to manufacture small to medium-sized test batches for export, to fine-tune processing, and to evaluate new equipment.



[redacted]

PATENTS

- **Ablett, R., Hong, L., Gallant, C.** Canadian Application No. 2,277,611. Freeze-Thaw Methods for Recovering Raw Meat from the Head-Shells of Crustaceans and Use Thereof. Filing Date: 1999/07/16.
- **Ablett, R., Hong, L., Gallant, C.** Canadian Application No. 2,277,614. Methods for Recovering Raw Meat from the Head-Shells of Crustaceans, e.g., Lobsters and Use thereof for Stuffed Crustaceans, e.g., Lobster and Stuffing So-Provided. Filing date: 1999/07/16.
- **Ablett, R., Hong, L., Gallant, C.** U.S. Application No. 09/354,585. Methods for recovering Raw Meat from the Head-Shells of Crustaceans. Filing date: 1999/07/16.
- **Ablett, R., Hong, L., Gallant, C.** Cuban Application No. 130/99. Methods for Recovering Raw Meat from the Head-Shells of Crustaceans. Filing date: 1999/08/02.
- **Ablett, R., Hong, L., Gallant, C.** Canadian Application No. 2,283,524. Methods for the Processing of Underutilized Hard-Shelled Crustaceans. Filing Date: 1999/09/24.
- **Ablett, R., Hong, L., Gallant, C.** U.S. Application No. 09/437,319. Methods for the processing of Underutilized Hard-Shelled Crustaceans. Filing Date: 1999/10/11.

PUBLISHED RESEARCH PAPERS

- **Lòpez, A., Sims, D.E., Ablett, R.F., Skinner, R.E., LÈger, L.W., Lariviere, C.M., Jamieson, L.A., Martinez-Brunes, J., and Zawadzka, G.G.** 1999. Effect of emu oil on auricular inflammation induced with croton oil in mice. American Journal of Veterinary Research, 60(12):1558.
- **Driedger, D.R., LeBlanc, R.J., LeBlanc, E.L. and Sporns, P.** 2000. A capillary electrophoresis laser-induced fluorescence method for analysis of potato glycoalkaloids based on a solution phase immunoassay. 1. Separation and quantification of immunoassay products. Journal of Agricultural and Food Chemistry. 48(4):1135-1139.

CONFERENCE PRESENTATIONS

- **Léger, L.** Considerations for Value-Added Mussel Products, presented at the Great Atlantic Shellfish Exchange, Charlottetown, PE. April 1999.
- **Ablett, R.** Probus Club, Role and Activities of PEI Food Technology Centre, Charlottetown, PE. March 2000.

PARTICIPATION IN CONFERENCES AND WORKSHOPS

- **Risk Assessment for Refrigerated Foods, IFT Short Course,** Chicago, IL, July 1999.
- **Emerging Food Processing Technologies: Criteria for Success, IFT Short Course,** Chicago, IL, July 1999.
- **P.E.I. Nutraceutical Workshop,** Charlottetown, PE, November 1999.
- **Descriptive Panel Leadership Workshop, Sensory Spectrum, Inc.,** Morristown, NJ, February 2000.
- **Sensory Evaluation Management, Sensory Spectrum, Inc.,** Savannah, Georgia, March 2000.

STAFF ATTENDANCE AT CONFERENCES, TRADE SHOWS & SCIENTIFIC MEETINGS

* **The New Canadian Food Consumer, presented by Agriculture and Agri-Food Canada, P.E.I. Food & Beverage Processors Association 3rd Annual Meeting,**
North River, PE, April 1999.

* **P.E.I. Science Fair,**
Charlottetown, PE, April 1999.

* **National Shellfish Association Annual Meeting,**
Halifax, NS, April 1999.

* **Metal Can Defect Course, St. Clair College,**
Charlottetown, PE, April 1999.

* **Hazard Analysis and Development of Your HACCP Plan, Guelph Food Technology Centre,**
Guelph, ON, June 1999.

* **P.E.I. Food & Beverage Processors Association, Annual General Meeting,**
Charlottetown, PE, June 1999.

* **Annual Meeting, Nunavut Hunters & Trappers Association,**
Cambridge Bay, Nunavut, June 1999.

* **New York Fancy Food Show,**
New York, NY, July 1999.

* **Institute of Food Technologists Annual Meeting,**
Chicago, IL, July 1999.

* **Pak-Ex '99,**
Toronto, ON, September 1999.

* **P.E.I. Expo,**
Charlottetown, PE, October 1999.

* **International Fish Inspection and Quality Control Conference,**
Halifax, NS, October 1999.

* **Nutraceutical Workshop, PEI Business Development Inc.,**
Charlottetown, PE, November 1999.

* **Marketing Conference, PEI Food & Beverage Processors Association,**
Charlottetown, PE, November 1999.

* **Food Preservation Seminar,**
Winnipeg, MT, November 1999.

* **NRC Biotechnology Conference,**
Toronto, ON, December 1999.

* **International Boston Seafood Show,**
Boston, MA, March 2000.

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- Institute of Certified Management Consultants of Atlantic Canada, Professional Member

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- American Association of Cereal Chemists, Professional Member
- American Oil Chemists Society, Professional Member

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"FTC employees are dedicated to providing our customers with services and products that meet or exceed their expectations for quality, delivery and value. We will do this through our quality system which enhances our efforts to be more efficient, effective and customer driven. We will be guided by our company's quality motto: "Quality by Example", by employing personnel who are experts in their field and providing a working environment that encourages innovation and continuous learning. Customer satisfaction, innovation and constant improvement are our measures of achievement as we strive to provide leadership and increase our contribution to the economy of Prince Edward Island and to the success of the food industry".

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